

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric
Company for Approval of Utility Retained
Generation Cost Recovery Mechanism. (U-902-E)

Application 02-01-015
(Filed January 10, 2002)

**ADMINISTRATIVE LAW JUDGE'S RULING SETTING ASIDE
SUBMISSION AND PROVIDING FOR COMMENTS**

In this proceeding San Diego Gas & Electric Company (SDG&E) seeks approval for a ratemaking and accounting mechanism applicable to its utility-retained generation (URG).¹ In particular, SDG&E seeks authority to establish its proposed Utility-Retained Generation Cost Optimization Procedure (URGCOP), an incentive ratemaking approach that provides for ratepayer and shareholder sharing of savings and losses relative to a defined benchmark of URG costs. The mechanism pertains to contract administration and the pursuit of incremental efficiencies in the use and dispatch of SDG&E's URG. SDG&E also seeks authority to replace the Purchased Electricity Commodity Recovery Account (URGRA). The URGRA would record any rewards or penalties associated with the URGCOP for the administration of purchased power contracts. There would be no reasonableness review procedure associated with the URGRA mechanism.

¹ The proposed mechanism applies to SDG&E's Qualifying Facilities (QF) resources, its purchased power contract with Portland General Electric (PGE), and other contractual power purchases. It does not apply to SDG&E's interest in the San Onofre Nuclear Generation Station (SONGS).

SDG&E's Schedule EECC rate would be allowed to fluctuate according to a balancing rate component reflecting the 12-month amortization of the URGRA balance. A discretionary mid-year adjustment of the balancing rate would be permitted if the mid-year balance in the URGRA deviates from expectations by 20 percent. The Schedule EECC rate would also vary in accordance with a Commission-approved forecast of URG costs by including an "energy rate adjustment" component. If the URG cost forecast for the succeeding twelve-month period varies from the previous amount by plus or minus 10 percent or more, the "energy rate adjustment" component would be established through a formal CPUC application process. Finally, SDG&E seeks an exemption from the URG dispatch restrictions adopted in Decision (D.) 01-01-061, thus allowing SDG&E opportunities to save costs for its electric customers.

The scoping memo for this proceeding found that the issues to be addressed are closely related to those considered in the Commission's procurement rulemaking (Rulemaking (R.) 01-10-024), and that there is a need to coordinate the two proceedings. Certain provisions in the decisions that have been issued in R.01-10-024 appear to have impacted SDG&E's proposals in this proceeding. For example, D.02-10-062 dated October 24, 2002 noted SDG&E's proposal to exclude URG costs from its procurement balancing account (p.60); determined that the account would be named the Energy Resource Recovery Account (ERRA) (*id.*); and rejected SDG&E's proposal to exclude URG costs from the ERRA (p. 62).²

² In its Advice Letter 1451-E dated November 20, 2002, submitted in response to D.02-10-062, SDG&E filed for the establishment of its ERRA and the termination of the PECA.

In view of the Commission's decisions in R.01-10-024, I have determined that the procedural coordination directed in the scoping memo for this proceeding requires that submission of this proceeding be set aside to receive comments on whether and how SDG&E's proposals should be modified to reflect the Commission's action in R.01-10-024, and whether additional evidence is needed.

Therefore, **IT IS RULED** that:

1. Submission of this proceeding is set aside to consider comments on the impact of decisions in R.01-10-024.
2. SDG&E shall file comments stating the modifications to its proposals in this proceeding, if any, that it believes are appropriate in view of the decisions issued in R.01-10-024. Such comments are due on January 27, 2003. Responses to SDG&E's comments may be filed and are due ten days thereafter. SDG&E may reply to any such responses, and such reply is due five days after the date for responses. Comments and responses should address the need, if any, for further evidentiary hearings.

Dated January 15, 2003, at San Francisco, California.

/s/ Mark S. Wetzell

Mark S. Wetzell
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Setting Aside Submission and Providing for Comments on all parties of record in this proceeding or their attorneys of record.

Dated January 15, 2003, at San Francisco, California.

/s/ Antonina V. Swansen
Antonina V. Swansen

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.

